Guidelines for the Consumer and Business Lending Initiative (CBLI) Program

The United States Department of the Treasury ("Treasury") is establishing the Consumer and Business Lending Initiative ("CBLI") Program under the Emergency Economic Stabilization Act of 2008 ("EESA"). The Federal Reserve banks and their related special purpose vehicles ("SPVs") are the only financial institutions eligible for participation in this program and there is no deadline for participation. Under this program, Treasury will participate in certain initiatives undertaken by the Federal Reserve that are designed to aid securitization markets and to increase lending. Treasury will participate in these initiatives by investing in an SPV, such as the Term Asset-Backed Securities Loan Facility ("TALF"), which has been established by the Federal Reserve Bank of New York to purchase collateral that borrowers from the SPV may forfeit. In this way, Treasury's participation in such programs will allow it share in any program gains and also share in the risk of loss. The terms of Treasury's participation in the SPV will be decided on a case-by-case basis.

Justification

The objective of the CBLI program is to improve credit market conditions for consumers and businesses by enabling greater credit availability and lower interest rates on loans. In turn, improved credit market conditions will mitigate the impact of any further economic contraction and will further stabilize financial markets. In addition, improved credit market conditions will strengthen the economy and protect American jobs, savings, and retirement security. The adverse conditions in the consumer and business credit markets and the economic risks they pose provide a rationale for Treasury and the Federal Reserve to implement one or more programs to improve the ability of the securitization markets to finance extensions of credit to U.S. consumers and businesses.

Treasury funds applied to this Program will provide additional capital to support Federal Reserve facilities that will reach the appropriate array of market participants and asset classes and on the terms necessary to have a meaningful impact on the credit markets. Ultimately, the CBLI will have a beneficial impact on consumer and business lending conditions. This will mitigate instability in credit markets and help prevent further disruption to financial markets and limit the negative impact on the economy.

Eligibility Considerations

Federal Reserve banks and their related asset disposition SPVs will be considered for participation in the Program on a case-by-case basis. In determining whether an SPV is eligible for participation, Treasury may consider, among other things, the design of the Federal Reserve lending program and its eligible collateral by asset class, including:

1. The nature and extent of credit availability or disruption in a given asset class;

2. Whether the asset class is sufficiently important to the financial and economic system that a sustained disruption would, with a high probability, significantly increase uncertainty or loss of confidence, thereby materially weakening overall economic performance;
3. The extent and ability of borrowers in a given asset class to access alternative sources of capital;
4. The probability of attracting sufficient market participation to any such Federal Reserve lending program and degree to which it might increase credit availability and lower interest rates to consumers and businesses; and
5. The level of taxpayer protection for Treasury funds embedded in any such Federal Reserve lending program and SPV structure.

In making these judgments, Treasury will obtain and consider information from a variety of sources and will take into account recommendations received from regulatory bodies and industry, as applicable, that could provide insight into the impact of sustained dislocations of the consumer and business credit securitization markets.

<u>Form, Terms, and Conditions of Treasury Investment</u>
Treasury will determine the form, terms, and conditions of any investment made pursuant to this program on a case-by-case basis in accordance with the considerations mandated in the EESA. Treasury may invest in any financial instrument, including debt, equity, or warrants, that the Secretary of the Treasury determines to be a troubled asset, after consultation with the Chairman of the Board of Governors of the Federal Reserve System and notice to Congress. Treasury will require the Federal Reserve banks participating in this program to provide Treasury with warrants or alternative consideration, as necessary, to minimize the long-term costs and maximize the benefits to the taxpayers in accordance with EESA.

These program guidelines are being published in accordance with the requirements of Section 101(d) of EESA.